

BUDGET MESSAGE

June 11, 2009

To the Mayor, Council, and Citizens of the Town of Chadbourn:

Reference: Proposed Fiscal Year 2009 - 2010 Annual Budget

Pursuant to Section § 159-11 of the North Carolina General Statutes, I respectfully present the recommended Fiscal Year 2009 – 2010 Budget for your review and consideration. The budget reflects many long hours of work by the management team to ensure that an efficient and effective budget has been prepared. The preparation of the annual budget is the most important task the Town Council undertakes each year. It establishes the goals and objectives for the upcoming year and places priorities on our mission. The following message summarizes and highlights the significant elements of the proposed budget, particularly in those areas where there are notable changes from the Fiscal Year 2008 – 2009 budget.

In Fiscal Year 2008 – 2009, the Town faced many challenges that were created by the downsizing of operations at Georgia-Pacific, high gas prices and a slumping economy. These factors have affected the Town's revenues from sales tax and utilities revenues. Furthermore, the Town has been notified by the State of North Carolina Local Government Commission that our water and sewer rates were not covering cost. In January 2009, I had requested that staff reduce their budget for the remainder of Fiscal Year 2008 – 2009. This step was taken to address lower than expected revenues. At this time, the Town looks to make a small contribution into the General Fund for the second year in a row. Furthermore, the water and reserve fund that was established by Town Council generated \$42,000.

In Fiscal Year 2009 – 2010, Staff has chosen to present a flat budget that will mirror the previous year's budget. Majority of the departments have had their budgets reduced. The only department that has seen an increase in the size of their budget is Parks and Recreation. This is due to the hiring of a new director who started in November 2008. The proposed budget does not include merit raises for Town Employees for the second year in a row and no cost-of-living adjustment (COLA) as well. There will be an increase in employee health insurance even though we have switched insurance carriers to reduce the increase. There will be an increase in utilities cost, because the Progress Energy will be increasing their rates by 12 percent. There are no projected major capital outlay expenditures in this budget, except for the acquisition of new patrol vehicles for the Police Department.

The recommended budget totals \$2,499,131. This budget is presented without a proposed tax rate increase for FY 2009-2010. The Town Council has chosen to increase the Water and Sewer Rate by \$2.50 on the minimum rate of 2,000 gallons for water and sewer, and \$2.50 for each 1,000

gallons over the minimum. This is due to the State of North Carolina determining that the Town's water and sewer rates were not covering actual cost of operating the Town's water and sewer system. Therefore, the minimum residential bill for water and sewer will be \$31.74 compared to \$26.74 in FY 2008 – 2009.

The Town's revenue forecasting philosophy has always been conservative and will continue for this fiscal year due to the ongoing uncertainty of current local, state and national economic trends. Economic forecasting is not an exact science and at times relies upon the best professional judgment of the forecaster. To reduce the risks of miscalculating revenues or expenditures, the Town identifies as many factors as possible that may contribute to changes in revenue and expenditures, such as population growth, property values, development and economy. Therefore, Staff has projected that there will be an 11 percent decrease in sales tax revenue in Fiscal Year 2009 – 2010.

FY 2009 -2010 Revenues

Due to a slowdown in the economy, Town staff has taken a conservative approach in our revenue projections for next year and will be utilizing some of our reserves to balance the budget. Sales tax revenue continues to be one of the primary sources of income within the General Fund. Over the last four years, the Town has experienced a stagnant growth in total sales tax revenue. This year's budget reflects an 11 percent decrease in sales tax revenue. Staff anticipates receiving \$309,400 from the sales tax sources. This is a \$37,600 decrease in sales tax compared to the 2009-2010 estimated revenue.

Under Revenues, Staff is projecting that the General Fund will produce \$1,379,221 in Revenues. In FY 2008-2009, the General Fund Revenues was estimated at \$1,361,514. The balance needed will come from Fund Balance in the amount of \$90,831. The projected FY 2009-2010 General Fund revenue are expected to increase by \$17,707 without the use of Fund Balance. The projected Utilities Revenues are going to be \$946,079. The 2008-2009 Utilities Revenues were only \$851,034. The increase in this year's Utilities Revenues will be due to an increase in the rates and proposed Capital Improvement Program (CIP) Reserve Fund for Water and Sewer. Staff is projecting that the CIP Fund will generate \$55,677 for Water and Sewer. The CIP Fund will be used to assist with infrastructure projects and matching funds for grants. Furthermore, Staff is projecting that the Powell Bill Fund will generate \$83,000. The total projected Revenue for FY 2009-2010 will be \$2,499,131 compared to \$2,388,298.45 in FY 2008-2009.

The Town Council has voted to increase the Water and Sewer rate by \$2.50 for the first 2,000 gallon and increase the rate of \$2.50 for each 1,000 gallons over the minimum rate. By doing so, this would increase the amount of funds that will be collected for the Water and Sewer Revenue.

During the preparation of the budget, Town staff has received from the Columbus County Assessors' Office the Town's tax valuation. Staff estimates that \$435,000 will be raised through property taxes for FY 2009-2010 and this is based on a 97 percent tax collection rate. In FY 2008-2009, Town's tax valuation was \$0.62 and will remain the same in FY 2009-2010.

In Fiscal Year 2008 – 2009, the Town Council has elected to not give the employees a merit raise or a Cost of Living Adjustment (COLA). The Town will be switching health insurance carriers. By doing so, there will be some savings. Furthermore, there will be a \$3,800 increase in workers' compensation insurance.

Department Budgets Overviews

The following will be a brief overview of each department's budget. This would include a look at capital outlays, increase in staff and other related expenditures.

The proposed budget for the Governing Body is \$17,115 for FY 2009-2010. This is an increase of \$2,700 from the previous year. The increase is due to the election expense for FY 2009-2010.

In Administration budget, Town Council has proposed a budget of \$217,980. This budget does not include a COLA or merit raise for the Administrative Staff, Assistant Town Manager and Town Manager. The biggest increases in this budget are under the Group Insurance and schools and training.

Under the Civic Center, Town Council is proposing a budget of \$7,200. This would be an increase of \$500. The Town Council is aware that the Civic Center is in need of structural repairs. At this time, the Town Council has elected to delay those repairs until a future time.

Under Building and Grounds, Town Council has proposing a budget of \$14,000. This is a decrease in the budget of \$1,075 from FY 2008 - 2009. This line item is used to address the maintenance and overall appearance of all municipal buildings. The significant reduction is due to removal of salaries from this line item.

The proposed Police Department budget is \$553,350 for FY 2009 – 2010. This is an increase of \$10,196. This includes an increase in health insurance. This is dependent upon the Town receiving a USDA grant for the vehicles. It does not include a COLA for the Police Chief, the Officers and Administrative Staff.

In FY 2009 – 2010, the proposed Planning and Zoning budget will be \$28,717. Majority of the reduction in this budget were taken in Professional Services and Condemnation and Demolition. Downtown Revitalization projects and appearance issues will continue to be a focus in the upcoming year.

The proposed budget for the Fire Department will be \$73,651 for FY 2009 – 2010. This is a decrease of \$13,444 from the previous year. The decrease in the Fire Department's budget is the result of the merger of the Chadbourn Fire Department with the Klondyke Fire Department and the Town is only paying the salary of one fireman and the Fire Chief and decrease in auto supplies expenses.

Under the Street Department, the proposed budget will be \$125,389. This is an increase of \$6,543 from the previous year. This increase is due to rise in electrical cost for street lights.

The proposed Garbage Department budget will be \$264,020. This would be an increase of \$10,020 from the previous year. The increase is due to rising fuel cost. Staff will continue to work with Waste Management to look for ways to decrease our Garbage collection rates.

The proposed Parks and Recreation Budget will be \$67,229 which will be an increase of \$23,710 from FY 2009 - 2010. This is due to the Town hiring a full-time director with benefits.

Under Special Appropriations, the proposed budget is \$101,401. This is a decrease of \$10,758 from the previous year. The Town Council has decided to not fund the Small Town Downtown Façade Grant in this year's budget.

The Water Department has proposed a budget of \$276,537 which is a decrease of \$7,061 from the previous year. Under the proposed CIP Reserve Fund, Staff is projecting that it will generate \$29,601 in revenue.

The proposed budget for the Waste Water Treatment Plant is \$274,181. This is an increase of \$2,356 from the previous year. Staff has requested an increase in insurance and bonds for this department.

The proposed Sewer Department budget will be \$433,537. This will be an increase of \$11,426 from the previous year. Under the proposed CIP Reserve Fund, Staff is projecting that it will generate \$26,076 in revenue.

Conclusion

In 2008 – 2009, Staff has aggressively sought grant funding to assist with infrastructure and public safety needs. During the previous two years, Town has received almost \$4.4 million worth of grant funding. Most of these grants do require a local match, which the Town will need to insure is available. In 2009 – 2010, Town staff will continue to seek outside funding sources to further supplement our CIP and operating budgets. The Capital Improvement Program fund will generate needed revenue to address future infrastructure projects and provide a readily available fund for matching grants.

As you can see from the budget message, the Town faces many challenges in fiscal year 2009-2010. Only with Staff and the Council working together, will we be able to face these challenges.

Special thanks are extended to Bobbie Jordan for her professional and understandable budget. Furthermore, I would like to thank the other members of the Town Management Team for their efforts to develop this budget. I respectfully submit to the Town Council of the Town of Chadbourn the 2009-2010 Town Manager's Recommended Budget.

Sincerely,

Stevie L. Cox
Town Manager